

CALIFORNIA EMPLOYER

First Quarter 2000

New laws that are of interest to employers

The following is a synopsis of four new bills that affect businesses and what each means for you as an employer.



INDEPENDENT CONTRACTORS – SB 542 (Burton):

Requires employers, businesses, and government entities to report specific

information on independent contractors to the Employment Development Department (EDD). Only independent contractors who are paid \$600 or more in a calendar year (for those you must provide a Form 1099), or whose contract calls for payment of \$600 or more in a calendar year must be reported. Effective **January 1, 2001**, you must file a report within 20 days after the \$600 payment threshold has been reached, or within 20 days of entering into the contract, whichever comes first. State and local child support agencies will use this data for child support enforcement.

EDUCATIONAL ASSISTANCE –

HR 1180: Amends Section 127 of the Internal Revenue Code (IRC) to extend the sunset date to December 31, 2001.

For payroll tax purposes, California follows Section 127 of the IRC, which exempts up to \$5,250 in employer-paid educational assistance from an employee's gross wages under specified conditions. Prior to this legislation, this exclusion would not have applied to expenses paid by an employer for courses beginning after May 31, 2000.

CALIFORNIA YOUTHBUILD PROGRAM – AB 643 (Wesson):

Establishes a program, effective January 1, 2000, that assists young individuals in acquiring construction industry skills.

Wages paid to program participants in the form of a training subsidy, living allowance, or stipend for time spent at the construction training work site are not considered subject wages for Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) based on an exemption in Section 634.5(e) of the California Unemployment Insurance Code (CUIC). However, stipends are subject to California Personal Income Tax (PIT) withholding and are reportable as PIT wages.

Y2K PROTECTION – AB 1476 (Dutra):

Provides protection from civil fines for small employers (with fewer than 50 full-time employees) if Y2K problems result in violations of rules or regulations. This protection is effective January 1 through December 31, 2000, and only applies if a small business does all of the following:

- Initiates reasonable and prompt measures to correct the violation once it is identified.
- Notifies the appropriate state agency of the violation within five days of discovery.
- Corrects the violation within one month after initial notification to the state agency.

This protection does not apply if an agency determines that a failure to comply with rules or regulations resulted in actual harm, or constitutes an imminent threat to public health, safety, or the environment.

If you have questions on the reporting requirements resulting from these bills, please contact EDD's Audit Section at (916) 464-2500.

Have a small number of employees? Try Telefile!

The Telefile Program is the electronic filing option that EDD developed for employers of household workers and other employers with a small number of employees.

It provides a voluntary alternative to preparing and mailing paper wage and withholding reports (the DE 6 or DE 3BHW). Your tax payments (deposits) may also be filed through the Telefile Electronic Funds Transfer option, thereby eliminating the need to



mail *Payroll Tax Deposit* coupons (DE 88) and a check for payment.

Employers of household workers who pay on an annual basis can also file and pay their *Annual Payroll Tax Return for Employer of Household Workers* (DE 3HW) through Telefile.

For more information or to request a Telefile Registration package, please call 1-800-796-3524.

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Workers who lose their jobs to imports may be eligible for assistance

Are you thinking about relocating your business to Canada or Mexico? Have you been impacted by foreign imports? Has your business been indirectly affected by trade with Canada or Mexico? If you answered "yes" to any of these questions, your employees may be eligible for special job assistance and benefits through two federal programs administered in California by EDD.



The North American Free Trade Agreement Transitional Adjustment Assistance (NAFTA) offers help to workers whose companies have been affected

or are threatened as a direct result of increased imports from or relocation of production to Canada or Mexico. The Trade Adjustment Assistance (TAA) program helps workers who are unemployed as a result of foreign import competition. Eligible workers may receive job training assistance, weekly income support while in training, or job search and relocation allowances.

To be eligible for NAFTA benefits, the U.S. Department of Labor (DOL) must declare that the laid-off workers are affected workers who lost their jobs as a direct result of increased imports from or relocation of production to Canada or Mexico. To be eligible for TAA

benefits, DOL must declare that the laid-off workers are affected workers who lost their jobs due to foreign imports. Workers, their agent, or their employer may file a petition to have the employees declared affected workers. Petitions for NAFTA should be sent to EDD. We will make a preliminary investigation and forward our findings to DOL. Petitions for TAA should be sent directly to DOL, which makes the final determination of eligibility.

Petitions for filing NAFTA and/or TAA may be obtained from DOL's Web site at www.wdsc.org/layoff/index.htm, or by calling EDD's Dinnie Meeks or Tom Campbell at (916) 654-7401.

Reporting for nonprofit employers: church requirements are unique

The following information expands on an article that appeared in the third quarter 1999 issue of this newsletter, entitled, "Nonprofit employers should avoid this common reporting error."

While wages paid by most nonprofit employers with an Internal Revenue Code Section 501(c)(3) exclusion are subject to Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and Personal Income Tax (PIT), California law makes the following exceptions for churches:

- Wages paid to workers employed by a church or a convention or association of churches are not subject to UI, ETT, or SDI taxes. The exclusion from UI, ETT, and SDI also applies if the em-

ployer is an organization *operated primarily for religious purposes* and the organization is operated, supervised, controlled, or primarily supported by a church, or a convention or association of churches. In these cases, wages are subject to PIT withholding. Because these wages are only subject to PIT withholding, only PIT wages and PIT withholding should be reported to EDD. Workers' wages should not be reported to EDD for UI, ETT, or SDI purposes.

- Wages paid to an ordained, commissioned, or licensed minister of a church performing services in the exercise of his or her ministry are not subject to UI, ETT, or SDI. In addition, these wages are not subject to PIT withholding. This exclusion also applies to members of a religious order whose services are

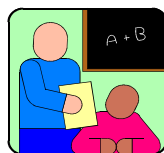
directed by the religious order. Because ministers or members of a religious order are not subject to UI, ETT, SDI, or PIT withholding, their wages should not be reported to EDD. Note: Although PIT is not required to be withheld, if a minister or member of a religious order is employed by an entity that is required to report other employees to EDD, that employer must also report the PIT wages paid to the minister.



For more information, request the Information Sheet *Nonprofit and/or Public Entities* (DE 231NP) from your local Employment Tax Customer Service Office, or check our Web site at www.edd.ca.gov/taxform.htm#Forms.

ScholarShare Trust contributions are subject to taxes

Did you know that contributions made by an employer (nonpayroll deduction contributions) to an employee's Golden State ScholarShare College Savings Trust Program account are wages subject to payroll taxes?



ScholarShare Trust accounts may be established by any individual through the California Student Aid Commission. Accounts may be set up for the participant's benefit or for a designated beneficiary. In either case, after-tax

contributions may be made directly by the individual by check, money order, or electronic funds transfer. Contributions can also be made by payroll deduction on an after-tax basis. Employers may also contribute directly to an employee's account.

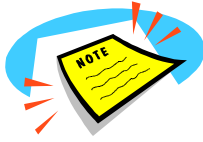
Contributions made directly by the employer without payroll deduction are considered wages subject to Unemployment Insurance, Employment Training Tax, State Disability Insurance, and California Personal Income Tax (PIT) withholding. These wage amounts

should also be reported as PIT wages on your *Quarterly Wage and Withholding Report* (DE 6).

For more information about the ScholarShare Trust Program, visit the California Student Aid Commission Web site (www.scholarshare.com) or call toll-free (877) SAV-4EDU. For more information about the taxability of employer contributions, refer to the "Types of Payments" section in the *2000 California Payroll Tax Guide* (DE 44P), or contact EDD's Audit Section at (916) 464-2500.

Corrections to the 2000 Payroll Tax Guide

There are several important corrections to the *2000 California Payroll Tax Guide* (DE 44P) that you should make note of in your copy:



- The withholding table for "Unmarried Head of Household – Weekly Payroll Period" was inadvertently omitted. A copy of this table (page 34A) has been included with this newsletter to insert into your *Payroll Tax Guide* (following page 34). You can also download page 34A from our Web site at www.edd.ca.gov/taxmist0.htm.

- On page 1, please note that staff at our Employment Tax Customer Service Offices are available by telephone on normal workdays from 7:30 a.m. until 5:30 p.m. Pacific standard time.

- On page 2, please change the telephone number for the Alternate Forms Coordinator to (916) 255-0649.

- On page 25 under "Educational Assistance" item B (Undergraduate level courses), please change the date to December 31, 2001. Recent federal legislation has extended this exclusion. (See article on page 1 for details.)

- On page 26, "Golden State ScholarShare Trust," item B (Contributions to trust by participant's employer) should show as subject to Personal Income Tax withholding.

- On page 26, "Life Insurance Premiums Paid on Behalf of Employees" should show as reportable for Personal Income Tax wages if face-value of group term life insurance exceeds \$50,000.

If you have any questions, or if you did not receive a *2000 California Payroll Tax Guide* or page 34A insert, please contact your local Employment Tax Customer Service Office.

CEAC and EDD: Working in partnership

The California Employer Advisory Council (CEAC) is a private sector employer organization that has been in partnership with EDD for more than 20 years. The primary goal of the CEAC is to assist EDD as an advisor in continuing to be responsive to the needs of California employers and employees.

The CEAC serves as the umbrella organization to 52 local Employer Advisory Councils (EAC) in California. These councils comprise over 5,000 employer members who represent a cross section of industries that employ more than 1.5 million workers in California. A major objective of the

EACs is to provide employers with information and education that will assist them in doing business more effectively and efficiently.



The theme for this year's CEAC and EDD Partnership Conference is *Trends 2000: Youth, Technology, Diversity*. The conference will be held May 21-23 in Oakland at the Marriott.

For conference updates, or for more information on the CEAC or membership in an EAC, please visit the CEAC Web site at www.ceac.org, or call (916) 654-9295.

Upcoming Taxpayer Service Days

In partnership with the Internal Revenue Service, Franchise Tax Board, State Board of Equalization, and local agencies, EDD participates in Taxpayer Service Days and Small Business Fairs around the state. Throughout the day, workshops are conducted and tax information is available at information booths. There is no cost to participate, but reservations are recommended if you plan to attend a workshop.

Our upcoming fairs include:

- **South Bay (San Jose)**
San Jose State University
April 29, 8:30 a.m. – 3:30 p.m.
Call: (408) 277-1844
Fax: (408) 277-1252

- **San Francisco Bay Area**
Hiram Johnson State Building
May 6, 8:30 a.m. – 2:30 p.m.
Call: (415) 703-5432

SDI changes for 2000

Effective January 1, 2000, the State Disability Insurance (SDI) taxable wage limit increased to \$46,327.

For disabilities beginning on or after January 1, 2000, the maximum weekly benefit amount for SDI claimants will increase to \$490.

For disabilities beginning on or before December 31, 1999, the maximum weekly benefit amount is \$336.

The wage and benefit increases result from Senate Bill 656, which links the maximum SDI weekly benefit amount to the maximum Workers' Compensation Temporary Disability benefit amount.

For more information, please contact your local Employment Tax Customer Service Office, or check EDD's Web site at www.edd.ca.gov.

School Employers Seminar set for Palm Springs

The annual Unemployment Insurance (UI) Seminar for School Employers is scheduled for May 4-5, 2000, at the Hyatt Regency Suites in Palm Springs.



Sponsored by the School Employers Advisory Committee and cosponsored by EDD, this year's seminar includes presentations on:

- Claims procedures (eligibility, forms, and protests)
- Employee separations (misconduct, discharge)
- Reasonable assurance (legal requirements & definition)
- Appeal hearing preparations
- Mock hearings with an Administrative Law Judge covering employee discharge and reasonable assurance.

If you would like to attend but have not received your registration packet by March 1, contact the School Employees Fund at (916) 653-5380.

Employers provide vital data in surveys

Each year, EDD's Labor Market Information Division contacts approximately 35,000 business establishments to collect occupational employment and wage data. This information is a vital part of the good state and local economic data that EDD provides to our customers.



occupational groups, and includes 822 detailed occupations.

More information about the annual survey can be found in the Labor Market Information section of EDD's Web site at www.calmis.ca.gov under "Occupational Wages, OES wage data."

If you are selected to participate, please help by completing the survey and sending it back in the return envelope. If you have questions or need help completing the survey, please call us at 1-800-826-4896.

Median Hourly Wage for Selected Occupations by Area

Occupational Title	California	Los Angeles	Santa Clara	San Diego
General Office Clerks	\$10.36	\$10.40	\$11.83	\$9.90
Carpenters	17.41	16.02	18.25	16.65
Accountants and Auditors	19.72	20.07	20.39	18.71
Computer Programmers	28.83	28.66	35.25	25.00
Registered Nurses	23.95	24.04	29.27	21.38
Food Preparation Workers	6.59	6.44	6.99	6.19
Automotive Mechanics	15.28	15.17	18.17	14.47

Source: California EDD, Labor Market Information Division, 1998

Earnings Withholding Orders and employer costs

The Franchise Tax Board (FTB) would like to reduce both your cost and the state's cost for processing Earnings Withholding Orders for Taxes.

The FTB is promoting the replacement of withholding orders with installment agreements. For taxpayers (such as your employees) who agree to pay their delinquent Personal Income Tax with monthly electronic funds transfers, FTB will release a withholding order in many cases.



The FTB publishes a pamphlet, *Earnings Withholding Order for Taxes: Commonly Asked Questions from Employers* (FTB 1014), that includes a list of frequently asked questions on withholding orders.

To request a copy of this pamphlet, contact FTB at 1-800-338-0505 (enter code: 938), or you can download it from FTB's Web site at www.ftb.ca.gov/forms/misc/1014.pdf.

Tips for trouble-free reporting

To ensure that your payments and *Payroll Tax Deposit* coupons (DE 88) are processed accurately, please be sure to:

- Use both the preprinted DE 88 coupons and the return envelopes that were sent to you.
- Send original documents, not copies.

- Always include your EDD employer account number on your check.
- Remove any stubs and/or vouchers from your check.

For additional information, or to request tax forms, please contact your local Employment Tax Customer Service Office.

EMPLOYMENT TAX INFORMATION

- General Information, Address Changes, or Requests for Employment Tax Forms (25 copies or less) Call the nearest Employment Tax Customer Service Office
- Forms Requests (25+ copies) (916) 322-2835 Fax: (916) 928-5910
- Register for an EDD Employer Account # (916) 654-7041 Fax: (916) 654-9211
- Electronic Funds Transfer (916) 654-9130 Fax: (916) 654-7441
- Magnetic Media Reporting (916) 654-6845 Fax: (916) 654-0302
- Alternate Forms Coordinator (916) 255-0649 Fax: (916) 255-1578
- Telefile 1-800-796-3524
- Electronic Data Interchange (916) 255-1649
- Tax Rates & Benefit Charge Information (916) 653-7795
- New Employee Registry (916) 657-0529 Fax: (916) 255-0951
- Offers in Compromise (916) 464-2726 Fax: (916) 464-2077
- Underground Economy Operations (916) 464-1075 Fax: (916) 464-1020
- Taxpayer Rights Advocate (916) 654-8957 Fax: (916) 654-6969
- EDD's Web site: www.edd.ca.gov

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